

Top Secret

(Security Classification)

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday 20 October 1977 CG NIDC 77/244C

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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

State Dept. review completed

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National Intelligence Daily Cable for 20 August 1977

The NID Cable is for the purpose of informing senior US officials.

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POLAND: Themes for Carter Visit

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[redacted] //Soviet Foreign Minister Gromyko visited Warsaw Tuesday, probably to discuss President Carter's coming visit with Polish party leader Gierek. [redacted]

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[redacted] Poland is seeking a formal long-term grain agreement that would commit it to buy at least 3 million tons annually from the US through 1980. The agreement would supersede an informal understanding negotiated with the US in 1975 in which Poland expressed a "desire" to purchase 2 million to 3 million tons of grain annually from the US through 1980.

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[redacted] Poland also has asked for a \$500 million to \$600 million credit from the US to finance its agricultural purchases in fiscal year 1978. In addition, it is seeking \$400 million to \$500 million for several years thereafter for similar purchases. The Poles want a seven-year repayment period on the credits, with a three-year grace period. Such terms are highly unusual on financing for agricultural purchases.

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[redacted] In addition, Poland may advance new suggestions to spur the establishment of joint commercial ventures between Polish and US firms. It is not clear whether Warsaw will propose the establishment with US firms of joint-equity ventures in Poland. Under recently revised investment laws, such ventures are now permitted. To date, however, Poland has not negotiated any such agreements with a Western firm. Warsaw also may express its frustrations over US antidumping laws and other regulations that it believes impede the growth of Polish exports to the US.

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NIGERIA: Economic Discussions

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[] Nigerian Head of State General Obasanjo has requested that the US send a high-level economic delegation to Lagos in early November for joint discussions in preparation for President Carter's visit. He reportedly wants the conferees to map out economic subjects for his discussions with the President and is said to believe that the meeting might lead to the formation of a joint economic commission.

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[] The Foreign Ministry's economic director has discussed Obasanjo's proposal with US Embassy officials. It was tentatively agreed that the conference should stress "incentives and barriers" to US trade and investment in Nigeria. This would include policies that Nigeria is formulating to discourage foreign firms, contractors, and investors in Nigeria from dealing with South Africa.

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[] The director thinks that the US delegation should include a legal expert who can explain legislation barring American firms from participating in an economic boycott. The Nigerians may be considering regulations that would require foreign firms operating in both Nigeria and South Africa to boycott

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South Africa. Such regulations would result in sharply reduced US exports to Nigeria and deny Nigeria access to business relations with US firms vital to its own economic development. The US is Nigeria's third-ranking source of imports and its second largest source of investment.

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ISRAEL: Political Differences

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[] *The Israeli Government and Yigael Yadin's Democratic Movement for Change appear to have overcome their differences over the terms for the DMC to join the cabinet. According to Jerusalem radio, Yadin and Prime Minister Begin conferred briefly yesterday and will hold a "conclusive" meeting on the issue today.*

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[] The on-again, off-again talks seemed dead last week when Begin indicated he would soon fill three cabinet posts--Justice, Transportation, and Social Betterment--that had been held open for Yadin's party. Although that may have been simply a pressure tactic by Begin, enough progress apparently was made in contacts with the Democratic Movement for Yadin to cut short a visit to the US earlier this week to caucus other leaders of the party on whether to resume formal talks. They voted 14 to one yesterday to join the Begin government; the party's governing council is expected to ratify that decision today.

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[] The Democratic Movement's objections to Begin's hard line on peace issues and Yadin's desire for a strong voice in foreign policy, which the Prime Minister prefers to reserve for himself and Foreign Minister Dayan, have been particular problems. In addition, the National Religious Party, Begin's key coalition partner, has opposed the DMC's demand for a commitment on its electoral reform proposal, fearing that the reform measure might handicap it and other small parties.

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[] Last weekend, however, Yadin expressed guarded support for the government's acceptance of the US-Israeli working paper as the "maximum that any Israeli Government could agree to." Religious Party and Liberal members of the coalition, moreover, have dropped hints in the press that they are optimistic about overcoming differences on the electoral reform issue.

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[] Begin would clearly like the DMC in the coalition, so long as he does not have to make any major concessions. The addition of the DMC's 15 seats would give the Likud-dominated government a much more comfortable majority in the Knesset, where its margin now hinges on four votes.

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[] The somewhat more moderate Liberal faction of Likud is particularly anxious to include the DMC in the cabinet in order to strengthen its voice in policy matters and to reduce the coalition's heavy dependence on the religious parties. The orthodox Aguda Israel Party, with four seats, has been threatening to withdraw its support unless Begin lives up to his controversial commitment to push for legislation amending the Law of Return, which legally establishes who is a Jew. The Liberals are opposed to any change in the law.

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[] Yadin, who is relatively flexible on negotiating issues, probably will not be able to exercise a significant moderating influence on Begin. The degree of tactical flexibility the Prime Minister is likely to demonstrate will depend largely on what he and Dayan believe they can sell to hardliners in Likud and the National Religious Party. Many in Likud believe Begin and Dayan have already gone too far in making concessions and are unhappy over the acceptance of the working paper.

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[] The inclusion of the DMC, however, would strengthen Begin's claim to represent a broad domestic consensus on negotiating issues. He could then argue with Likud hardliners that his flexibility had netted two important benefits for the coalition: a strengthened ability to resist further US pressure and the effective isolation of the opposition Labor party.

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SOUTH AFRICA: Crackdown on Blacks

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[] The South African Government's countrywide crackdown on the black consciousness movement yesterday was designed to stamp out the sporadic violence that has been growing since the death of black activist Steve Biko in prison last month. The immediate result could be a period of calm while the black community assesses its losses, but violence will reoccur.

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[] The political campaign for the 30 November general election to the all-white parliament opens today. The government doubtless timed yesterday's extensive security raids to impress the white electorate with its ability to control the internal security situation, which has been deteriorating since the riots in Soweto in June 1976.

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[] In recent months, tensions have mounted as black school boycotts spread to several sections of the country, including the tribal "homelands." More recently, violence, often sparked by protests over the still-unexplained death of Biko, has erupted in various parts of the country. The government delay in reporting the circumstances of Biko's death has been loudly criticized by several newspapers, including *The World*, the leading black paper edited by Percy Qoboza, who was arrested yesterday. *The World* was one of the two black papers shut down.

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[] Also imprisoned were the president and several members of the Black People's Convention, which was among 18 black organizations outlawed. Several members of the Committee of Ten,

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the group of Soweto moderates who tried unsuccessfully to start a dialogue with the government last summer in an attempt to bring stability to the township, were also arrested as was the top executive clergyman in the Roman Catholic Church.

Several white South Africans were served with banning orders, which restrict them from speaking out. These include Donald Woods, editor of an East London newspaper, a close friend of Biko's and longstanding critic of apartheid.

25X1 [] The crackdown yesterday was the most sweeping the government has conducted since 1960, when it effectively stifled black unrest by banning, imprisoning, or driving into exile most of the black leaders. The result was 16 years of quiescence.

25X1 [] The government is clearly hoping it can achieve the same results now. It is unlikely, however, that the ferment now evident among South African blacks can be extinguished by this type of suppression: internal political forces and external pressures working against apartheid in South Africa have changed considerably in the past 17 years. The government's actions will result in an increased radicalization of politically aware blacks and rising incidents of urban terrorism, all of which will further undermine the white community's sense of security. [] 25X1

CANADA: Wage and Price Program

25X1 [] //The Canadian Government will announce tonight a tightening of its wage-price controls and some additional measures aimed at reducing record unemployment. Because of continuing concern over inflation, Ottawa will not opt for major economic stimulation.//

25X1 [] //The government is likely to scrap its current incomes formula and to impose an absolute ceiling on wage, price, and dividend increases. Under present wage guidelines, cost-of-living adjustments would permit higher wage settlements next year than Ottawa is willing to accept. The fixed

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ceiling under the new formula will probably be 6 percent. As a concession to labor, the announcement is likely also to include a date in early 1978 for beginning a gradual phase-out of wage-price controls.//

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[redacted]//The existing wage-price controls are now entering their third year and a decision on phasing them out has been repeatedly postponed since last July. At this stage, the controls appear to be ineffectual. Inflation is running at an annual rate of 8.4 percent--more than 2 percentage points above the target rate for 1977.//

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[redacted]//Ottawa also intends to introduce some immediate stimulative measures to reduce unemployment, which presently exceeds 8 percent of the labor force. These will likely include modest tax reductions and some selective make-work programs. The government might also attempt to tie further tax reductions to continued moderation in wage settlements.

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VENEZUELA: War on Guerrillas

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25X1 [REDACTED] Although the insurgents apparently number no more than 150 to 200 men, they are highly mobile, operate from areas where concealment is easy, and are capable of spectacular--if isolated--acts of terrorism.//

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25X1 [REDACTED] These have run the gamut from robbery and extortion to the kidnaping of prominent Venezuelan and US businessmen. Venezuelan officials are concerned that the upcoming meeting of OPEC members in Caracas on 20 December--the first time Caracas has hosted a meeting of that organization--could provide an appropriate setting for a hit and run attack by the guerrillas and their supporters.

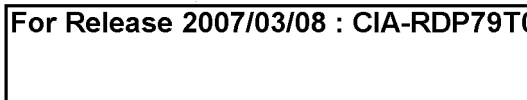
25X1 [REDACTED] The continued insurgency is undermining the contention of leaders of the ruling Democratic Action Party that their party has brought internal security and tranquility to the country. The falseness of this claim is underlined by almost daily reports of guerrilla activities in a number of states in eastern Venezuela. [REDACTED] 25X1

25X1 [REDACTED]

25X1 [REDACTED] An even more important consideration for Perez may be the possibility that the continuation of guerrilla activities could unsettle the delicate balance in civilian-military

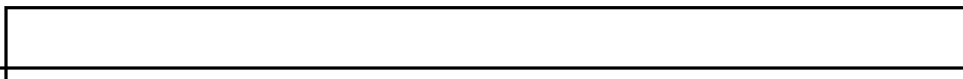
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relationships.



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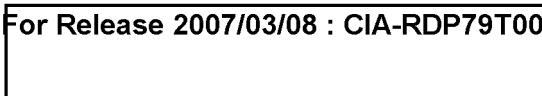


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